OCCUPATIONAL PENSION SCHEMES

A Survey by the Government Actuary

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1. The lack of comprehensive information about the scope and the financial arrangements of occupational pension schemes has for many years proved a serious handicap to those responsible for framing policy and indeed to anyone trying to investigate the provision being made for old age. The "Phillips" Committee, in particular, pointed out in their report* that "the information ordinarily available about occupational pension schemes is inadequate for the determination of national policy" and recommended that the necessary statistics should be collected and published. The Government concluded that a statistical survey ought to be made and the task was entrusted to the Government Actuary. The intentions of the Government had been duly notified to the British Employers' Confederation and the Trades Union Congress.

2. The survey—which relates to Great Britain and Northern Ireland—was made in two parts: (i) a sample inquiry by means of a questionnaire addressed in February 1957 to employers for the purpose of eliciting information about the operation of schemes in a recent twelve-month period, and (ii) an examination of the provisions of the rules of a sample of schemes submitted to the Inland Revenue. The methods used are discussed in paragraphs 5-11 and the results obtained are given separately below in paragraphs 12-21 and 22-43 respectively. A summary will be found in paragraphs 44-47.

3. Acknowledgements and thanks are due to the employers—over 1,200 in number—who co-operated in the inquiry. The preparation of answers to the questionnaire imposed in many cases a considerable task upon officials of companies, of superannuation funds and of insuring organizations without whose help it would not have been possible to prepare an adequate statistical account.

4. As will be seen from later paragraphs, elaborate measures were taken to preserve the confidentiality of all the information supplied to the Government Actuary's Department, and the undertaking given to employers was most strictly observed. The Board of Inland Revenue carefully preserved the anonymity of the employers in respect of whose schemes details were given. As a consequence the work involved in combining the material from the two sources was greatly increased.

THE BASIS OF THE SURVEY

5. The original source of the necessary data was the records maintained by the Board of Inland Revenue of all the occupational pension schemes in

*Report of the Committee on the Economic and Financial Problems of the Provision for Old Age. Cmd. 9333, page 68.

respect of which application for approval has been made or papers have otherwise been submitted. Because of the important tax advantages that depend on such approval, application is almost universal, and virtually all existing schemes outside the field of the public services and nationalized industries could be brought under review by this means.

The records include a card index of all employers who have occupational pension schemes, both those operated through contracts with insurance companies and those privately financed through funds administered by individual firms or groups of firms. The total number of active schemes is believed to be in the range of 35,000-40,000. In order to reduce the volume of work and to avoid the need for all employers to supply detailed information, it was decided to select from the index a sample comprising as many as possible of the "large" schemes and a proportion—about 1 in 26—of the remainder. The "large" schemes were selected according to the scope of the employer's business and before any particulars of membership were available. It was found on later examination that the dividing line between "large" and other schemes was at about 500 members; the largest scheme of all had nearly 70,000 members. A total of 1,518 firms was obtained in this way.

The following statement shows the numbers of firms and schemes brought under review:

	Large	*Sampled*	*Total*
Number of firms selected	234	1,284	1,518
Number of schemes of the selected firms	828	1,586	2,414
Number of schemes per firm	3.5	1.2	1.6

The 234 "large" firms include a small number of pension schemes open to groups of employers.

6. For the first part of the survey a letter was sent to each employer included in the sample explaining the purpose of the inquiry and asking for his co-operation. A questionnaire form enclosed with the letter provided space for information about the total numbers of staff employed as well as for details of the staff included in the scheme, and included questions about the total amount of the contributions of employees, the number of pensioners, the annual pension roll and the ages of actual retirement. Questions were also asked about retirement policy generally. Copies of the letter and form are given in Appendix II.

7. In all, returns were received from 1,210 employers; data were supplied by about 88 per cent of the 234 "large" firms and 79 per cent of the 1,284 sampled firms. Of the 308 employers approached but not included in the survey, about 20 replied but failed to supply information, 260 did not reply, and in some 20 cases the envelope was returned undelivered.

Special treatment was necessary in dealing with 391 of the returns received. In 370 of these the scheme covered less than 7 members (the criterion of minimum size adopted), in 17 the information supplied was scanty, and particulars for the remaining 4 had been included in the returns submitted by allied or associated companies.

8. Thus 819 full returns were available for analysis in respect of firms having at least seven employees. In 190 of these the employers had more than one scheme; one employer had as many as 11. The multiple cases occurred almost entirely among the " large " employers—for whom the average number of schemes was 2.2 as against 1.1 for the remainder—and they were mainly due to the provision of separate schemes for men and women or for salaried and wage-earning workers, as might be expected. Reference to the figures in paragraph 5 above will show that employers did not distinguish between separate schemes to the same extent when responding to the questionnaire as they did when applying for Inland Revenue approval; this appears to be the result not of omission but of compression.

9. For the second part of the survey, forms were completed by the staff of the Board of Inland Revenue giving details of the provisions of the rules of the selected schemes. These forms were then analysed statistically in the Government Actuary's Department. The information supplied by employers to the Government Actuary's Department was given as confidential to that department while the provisions of the rules were confidential to the Board of Inland Revenue. The over-riding need to preserve in each case the anonymity of the employers supplying information made it impracticable to link the employers' returns individually with the Inland Revenue forms, and this was inevitably the cause of some indefiniteness in the results and delay in their presentation.

10. Although the returns from the employers and the Inland Revenue forms could not be collated individually it was found possible without breach of confidentiality to have the forms corresponding to the usable questionnaires marked with code letters indicating the sizes of the schemes to which they related, i.e. the numbers of their members, in broad groups.

In order to obtain the results that follow, the details of the analysis were rated up as necessary to produce estimates of the national figures, which were then suitably combined in order to present a picture of the whole field of private occupational pension schemes.

The results are subject to a margin of error owing to the use of sampling and, more particularly, to the unavoidable assumption that the employers who sent in returns were truly representative of the whole. It is considered however that they provide an adequate basis for drawing general conclusions regarding the characteristic features of occupational pension schemes in the private sector.

11. To supplement these results, an analysis was made of the rules of superannuation schemes covering some 3¼ million of the total of nearly 4 million persons employed in the public service and nationalized industries. The information thus obtained is shown in parallel with that for private schemes in Appendix I, and some information about the membership and finances of the group is included in the section dealing with numbers and amounts. The only large public service group omitted is the Armed Forces, the pension arrangements for which are quite distinct in character.

THE FIRST PART OF THE SURVEY: NUMBERS AND AMOUNTS

Size of Schemes

12. On the basis of the information obtained from the sample the estimated distribution by size of the total number of schemes in the private sector—taken for convenience as 37,500—is as follows:

Size of membership	*Number of schemes*
Under 50	28,200
50– 99	3,800
100– 199	2,200
200– 499	1,900
500– 999	800
1,000–1,999	400
2,000–2,999	100
3,000 and over	100
Total ...	37,500

Membership

13. The following table shows the estimated numbers employed—on average at the end of 1956—by all employers having pension schemes in March 1956, and the numbers of their employees who were members of these schemes at the end of 1956. The public service and nationalized industries are not included in this table.

G.B. and N.I. (1956)

Category		Total number of employees of firms having occupational pension schemes [000's]	Total number of employees who are members of those pension schemes [000's]	Proportion covered by pension schemes [per cent]
Men:	Salaried	2,220	1,580	71
	Wage-earning	4,910	1,890	38
	Total	7,130	3,470	49
Women:	Salaried	1,100	370	34
	Wage-earning	1,970	460	23
	Total	3,070	830	27
	Grand Total	10,200	4,300	42

It will be seen that the proportions covered are greater for men than for women and greater for salaried staff than for wage-earners.

14. The number of members of private pension schemes indicated above, nearly $4\frac{1}{4}$ millions in 1956, is smaller than the number that would be obtained by assuming that the total of 3.1 millions given in the "Phillips" Report (applying, roughly, to the year 1952) had increased for four years at the rate of $\frac{1}{2}$ million a year suggested in the "Watkinson" Committee's first report* (page 32). There is reason to believe that, apart from some reduction in the size of the Armed Forces, the numbers of members of pension schemes in the public service and the nationalized industries have not changed materially from those given in the "Phillips" Report. The total number of persons in Great Britain covered by pension schemes in 1956 may therefore be estimated as follows:

Public service (including Armed Forces) ...	2.3 millions
Nationalized industries	1.5 millions
Private schemes	4.3 millions
Total	8.1 millions

The corresponding total number of persons covered at the present time may be of the order of $8\frac{3}{4}$ millions (7 million men and $1\frac{3}{4}$ million women). Thus nearly one-half of employed men have some provision for pensions other than those under National Insurance. Of this $8\frac{3}{4}$ millions, 5 millions may be in private schemes.

15. The division of the active membership of private schemes according to whether or not the schemes are administered by insurance companies is roughly as follows:

	Percentage of members covered by		
	Non-insured schemes	*Insured schemes*	*Total*
Large employers ...	76	24	100
Others	34	66	100
Total	47	53	100

Further, an examination of the numbers employed shows that the proportion of total staff who are covered for pensions is considerably lower for employers who have an insured scheme than for those who have a non-insured scheme.

Pensioners

16. The number of pensioners covered by private schemes in 1956 was about 300,000. This compares with the figure of 200,000 shown in the "Phillips" Report (page 59) for about four years earlier. The ratio of pensioners to active members is higher for large schemes (9 per cent) than for small (6 per cent), for uninsured schemes (10 per cent) than for insured (4 per cent), for salaried staff (8 per cent) than for wages staff (6 per cent), and for men (7 per cent) than for women (6 per cent). These percentages are of some interest

*National Advisory Committee on the Employment of Older Men and Women: First Report. Cmd. 8963.

but useful inferences cannot readily be drawn from them; comparisons are affected by several factors of which perhaps the most important is the number of years the schemes have been in force. In schemes for the employees of the public service and nationalized industries there were probably 800,000 former employees on pension in 1956.

Contributions

17. The total annual contributions paid by employees to private occupational pension schemes in 1956 are estimated to have amounted to £72 millions, of which £44 millions related to insured schemes and £28 millions to non-insured schemes. In insured schemes the average contribution paid by the employed person was £19 a year, which represented a higher proportion of the combined cost to employer and employee than the corresponding figure of £14 a year in non-insured schemes. Although wage-earners included in schemes outnumbered salaried workers the total contributions they paid were only about half the total contributions paid by the latter group.

18. On the basis of information supplied by the Board of Inland Revenue and the figures issued by the Insurance Companies, the total payments into private schemes in 1956 are estimated at approximately £246 millions (excluding £3 millions paid in respect of individual policies). Deducting from this amount the employees' contributions of £72 millions, it would appear that the employers paid about £174 millions to private schemes in that year, or more than twice as much as employees. This considerable excess of employers' payments over employees' contributions probably arises largely in respect of payments being made to extinguish deficiencies, notably those due to admitting existing staff of all ages on terms appropriate only to new recruits, and to granting a measure of " back-service " rights.

The total amounts paid in 1956 by employees and employers to pension schemes for the staff of the public service and nationalized industries are estimated to have been approximately £56 millions and £165 millions (excluding payments of about £25 millions under the Pensions Increase Acts) respectively.

Pensions

19. The annual pension roll is estimated to have amounted in 1956 to £50 millions, viz., £40 millions for non-insured schemes and £10 millions for insured schemes. The corresponding amounts shown in the " Phillips " Report were £32 millions, £27 millions and £5 millions.

According to the Insurance Companies' Statements it would appear that only about £8½ millions was paid to pensioners under insured schemes in 1956. The probable reason for the higher amount shown here is the payment by employers of pensions additional and supplementary to the amounts due under such schemes.

The average pension per head does not appear to have grown, probably on account of the increase in the relative numbers of wage-earners amongst pensioners. The average pension was about £190 a year in non-insured schemes but only about £100 in insured schemes, and it was more than twice as large for salaried staff as for wage-earners.

In public service and nationalized industries schemes some £150 millions was paid in pensions in 1956.

AGE AT RETIREMENT

20. Particulars were given in the replies to the sample questionnaire of the age at retirement of some 2,000 recently retired persons in private pension schemes. When those of the "large" firms and the remainder are appropriately rated up and combined, the following age-distributions per 100 cases and average ages at retirement are obtained for the various groups:

Age at retirement	Non-Insured Schemes				Insured Schemes			
	Men		Women		Men		Women	
	Salary	Wages	Salary	Wages	Salary	Wages	Salary	Wages
Under 55 ...	2	12	9	40	1	1	4	—
55 ...	1	1	13	4	2	—	1	—
56–59 ...	3	2	8	3	2	—	9	—
60 ...	15	5	36	25	3	—	56	77
61–64 ...	11	6	8	12	10	2	21	11
65 ...	49	49	1	6	50	60	8	6
66–69 ...	17	20	17	1	27	31	1	3
70 and over ...	2	5	8	9	5	6	—	3
Total ...	100	100	100	100	100	100	100	100
Average age at retirement...	64.2	64.1	61.2	59.1	65.4	66.2	60.6	61.2

It will be seen that the majority of retirements are concentrated in the quinary age-group 65-69 for men and 60-64 for women, with a strong emphasis on the first age in the group. Although the most usual age for men is 65, and for women 60, there is a wide "spread" of retirements above and below these minimum National Insurance pensionable ages. Thus many persons stay on at work after these ages although comparatively few remain in service until age 70 (men) and 65 (women). The distribution is wider for non-insured than for insured, and this is especially so for women. The average ages at retirement call for no special comment.

RETIREMENT POLICY

21. As would be expected, it is found on examination that the percentage distribution of retirements by age varies to some extent according to the policy of the employer. The answers given to a question on this point indicate that for 55 per cent of workers the employer discourages, or does not allow, deferment of retirement; 16 per cent are allowed to choose when to retire, and in the remaining 29 per cent the employer encourages deferment of retirement.

It is not surprising that the retirement ages are younger where there is a policy of discouraging deferment than it is where some latitude is allowed to the employee or where the employer actively encourages postponement of retirement beyond the minimum age permitted by the rules. In cases where comments were made about retirement policy, very few of those employers who encourage deferment of retirement said that their policy was not a success, and relatively few admitted only partial success.

THE SECOND PART OF THE SURVEY: PROVISIONS OF THE RULES

22. The results of the second part of the survey are shown in an appended summary statement (Appendix I) in the form of a series of tables setting out the percentages of the total membership falling into the various categories about which information was tabulated. They are based on the analysis of rules of a sample of 401 non-insured private schemes (with a total membership of 900,000) and 1,100 insured private schemes (membership 325,000), as well as 19 schemes for the public service and nationalized industries (membership 3,250,000); when rated up they represent the position for $8\frac{3}{4}$ million members of occupational pension schemes, comprising $2\frac{1}{3}$ millions in non-insured schemes, $2\frac{2}{3}$ millions in insured schemes and $3\frac{3}{4}$ millions in the public service and nationalized industries. The percentages are given separately for the non-insured and insured schemes, and the corresponding data for schemes in the public service and nationalized industries are shown for purposes of comparison. Finally, the percentages for all schemes combined are shown, where appropriate, in the right-hand column.

Most of the occupational schemes are open to both men and women or to men only. It has been found unnecessary to show variations in the provision for the sexes except as regards retirement ages, where important differences exist.

23. In paragraphs 24—43 brief explanatory notes and comments are given on the main features revealed in the twenty-one tables making up Appendix I. The paragraphs should be read in conjunction with the relevant sections of the analytical summary contained in the tables; they are not in themselves a description of the contents of the tables.

Extent of Registration of Schemes

24. The information given in *Section* 1 of the statement shows that none of the insured pension schemes and no public service pension scheme or nationalized industry scheme was registered under the Friendly Societies Acts or similar legislation. The non-insured schemes that have been registered under these Acts account for only 3 per cent of the total membership of non-insured schemes.

About 20 per cent of the persons in non-insured schemes are in schemes registered by the Chief Registrar of Friendly Societies under the Superannuation and Other Trust Funds (Validation) Act, 1927; Section 21 of the statement shows that about four-fifths of the remainder belong to schemes containing provisions designed to limit the duration of the Trust or scheme (" perpetuity clauses "). Such clauses are not required by law in some types of pension arrangements, for instance in unfunded schemes; it was not, therefore, to be expected that the sum of the percentages in Sections 1 and 21 would be 100, and in fact it would appear that 14 per cent of members of non-insured private schemes belong to schemes that do not need either to have a perpetuity clause or to be registered.

Types of Employees Covered

25. Most schemes cater either for all types of employees or for "staff" only, as distinct from workpeople. *Section* 2 of the statement shows that public service and nationalized industries schemes most frequently apply to all types of employees, while insured schemes more often cover only "white-collar" workers.

Restrictions of various kinds upon the classes eligible for membership account for the appreciable proportion of schemes described as being available only for special categories of employees. In a small number of cases the form did not specify which categories were included—probably because of complexity in the provisions of the rules.

In considering the results for pension schemes in the public service and nationalized industries, both here and elsewhere in the report, it should be borne in mind that they represent the aggregation of diverse types of scheme, funded and unfunded, and that this group is perhaps more heterogeneous than the non-insured or insured private schemes. Moreover, some of these national schemes contain different provisions for particular classes of staff which have had to be ignored unless they were thought to be of major importance. The 31 per cent covered by schemes for "works employees" alone is due entirely to the members of three important nationalized industries' schemes.

Conditions of Entry

26. In pension schemes in the public service and in the nationalized industries compulsory membership is almost universal for new entrants (see *Section* 3 of the statement); in other schemes voluntary and compulsory membership are fairly evenly balanced, but about one-fifth of the employees covered are in schemes where the position is not defined clearly or simply.

Maximum and minimum entry ages have a wide range, but the extremes apply only in a few exceptional cases and the "most common" ages—20 or 21 as the minimum and 50 or 55 as the maximum—account for a large part of the membership. The length of service required as qualification for membership does not often exceed two years.

Contributions by Employees

27. *Section* 4 of the statement indicates that—according to the Inland Revenue forms—contributions of one kind or another are collected from 44 per cent of the members of non-insured private pension schemes (i.e. the total of items (b), (c), (d) and (e)). For the remaining 56 per cent an examination was made in order to ascertain how often the non-contributing nature of the scheme was confirmed by a direct statement elsewhere on the form that the employer bears all the cost. As may be seen from the tables, the 56 per cent consists of 44 per cent of employees (item (a)) who are covered by schemes that are confirmed in this way (including schemes in which no advance financial provision is made for accruing liabilities) and 12 per cent (item (f)) that are not so confirmed.

An attempt was made to ascertain the proportion of members in non-contributory schemes by reference to the information supplied by employers for the first part of the enquiry. The percentages of non-contributory members

obtained in this way were considerably lower than those shown in the tables, but for technical reasons connected with the manner in which that information had been supplied (see end of paragraph 8) it is considered that these are too low. Nevertheless it seems possible that the percentages of non-contributory private schemes shown in the tables may be somewhat overstated.

Similar considerations apply to insured schemes, in which the proportion of members who (it is confirmed) do not pay contributions is nearly one-third. In public service and nationalized industries' schemes about one-fifth of members are known not to contribute, so that, according to the forms, for all schemes combined the confirmed proportion non-contributory is nearly one-third.

Where the employee does contribute, the method of assessing what he should pay varies widely. Uniform percentages of salary or wages are customary in the public service and nationalized industries, but they are less common in private pension schemes, particularly where these are insured. When this method of payment is adopted the contribution is usually 5 per cent in insured schemes, but it is often less in non-insured schemes and usually rather more in the public service and nationalized industries (where, however, the range of variation is narrower than in other types of pension scheme). In insured schemes the employees' contributions are usually related to remuneration in a looser fashion, such as fixed amounts for fairly wide " salary bands ".

Direct modification of contributions in order to allow for National Insurance is customary in the public service and nationalized industries but is uncommon in non-insured private pension schemes, and any modification of insured schemes is by indirect means.

Separate contributions for widows' benefits are fairly common in the public service and nationalized industries but largely absent elsewhere.

Contributions by Employers

28. Employers almost always meet at least part of the cost of their pension schemes (*Section* 5) in the form of annual " contributions " (items (a), (b) and (c)). Usually they are committed to meeting the balance of cost after taking account of the contributions of the members. Where annual " contributions " are not paid by employers, the cost is met in other ways, e.g. in schemes with no advance provision, by paying the benefits directly as they arise. More specific methods of assessing the employer's contribution are prominent in the public service and nationalized industries, and are also found fairly frequently in non-insured schemes; they are unusual in insured schemes. Where the employer pays a uniform percentage of salary or wages it is quite often at a higher rate than that of the employee. As regards employers' contributions, the percentages are higher and the range narrower in the public service and nationalized industries than in private pension schemes.

Contributions by employers to meet the cost of back-service credits are referred to in paragraph 39 below and in Section 17 of the statement.

Separate contributions by employers for widows' benefits are unusual, but separate payments for life assurance are fairly common in insured schemes—usually in association with the deferred annuity policies referred to in paragraph 30 below.

Guarantees by Employers

29. Guarantees of solvency are general in pension schemes for the public service and nationalized industries but apply to only about one-quarter of the membership of non-insured private schemes (see *Section* 6). Guarantees of minimum interest earnings are given in some schemes of these types, covering about one-quarter of the membership.

Type of Insurance Policy

30. *Section* 7 of the statement relates to insured schemes only and shows the varied forms of insurance policy adopted to implement the scheme. In some of these schemes there is more than one policy per member or group of members —death cover during service (apart from any return of contributions) being usually provided by the second, or "employer's", policy alone (see item (e) of Section 5). Group deferred annuities, often associated with group life assurances, apply to about one-half of the total number of members, endowment assurances of one kind or another to one-third of members, and other policies broadly to the remaining one-sixth. Individual deferred annuities very frequently include provision for the return of the employee's own contributions on death before the attainment of pension age.

It has been found that, as might be expected, the larger the scheme the more likely is it to have been effected by a group policy rather than by policies for individual employees.

Retirement Age

31. The age at retirement most usually provided for is 65 for men and 60 for women (see *Section* 8) except that many men in the public service and nationalized industries may, if they wish, retire at or after age 60. Non-insured schemes show considerable variety in pension ages, and in particular include a substantial proportion of women entitled to retire before the age of 60.

Compulsory or maximum retirement ages are rarely mentioned in the rules of pension schemes.

It is interesting to compare the distributions of what are termed "normal" retirement ages in private schemes with the distributions of ages at which members have actually retired in 1956 as shown by the forms completed by employers (see paragraph 20 above). The percentages at the various ages are set out side by side below :

Age at retirement	Non-Insured Schemes				Insured Schemes			
	Men		Women		Men		Women	
	In Rules	Actual	In Rules	Actual	In Rules	Actual	In Rules	Actual
59 and under...	2	11	29	39	—	3	2	6
60 ...	15	9	50	30	1	2	62	69
61–64 ...	4	8	1	10	—	6	—	15
65 ...	79	49	20	4	99	54	36	7
66 and over ...	—	23	—	17	—	35	—	3
Total...	100	100	100	100	100	100	100	100

The actual retirements no doubt include cases of voluntary early retirement of the kind discussed in paragraph 35 below. Apart from this, the comparison shows that there is a marked tendency to postpone retirement beyond the normal age, except perhaps for women in insured schemes.

Benefit at Normal Retirement Age

32. Some features of the benefits provided on retirement on grounds of age are shown in *Section* 9. About 8 per cent of members of private schemes are entitled to receive lump sums only, but for the great majority a pension is the principal benefit. In the public service and nationalized industries a combination of pension and lump sum is the general rule, but such a combination is rarely mentioned as the normal arrangemeut in private schemes.

The methods of computing pensions are various. A proportion of salary (often 1/60th or 1/80th) for each year of service has been adopted in non-insured schemes covering two-fifths of the membership of this type of scheme and is employed in schemes for the public service and nationalized industries except two of those applicable only to wages grades. In insured schemes benefits, like contributions, are normally associated with salary in a looser fashion.

Where pension is based on the average salary over the last few years of service, the period of averaging is most often five years in private non-insured schemes, but otherwise three years is the more common period.

Pensions of fixed amount or subject to a minimum payment are infrequent, and where granted they are often small.

Reference is made in Section 19 of the statement and in paragraph 41 below to the partial conversion of pension to lump sum in private schemes.

Benefit on Ill-health Retirement

33. *Section* 10 shows that ill-health pensions or other special benefits are available to all members of pension schemes for employees of the public service and nationalized industries, but that a material proportion of non-insured private schemes do not include such benefits and that the majority of members of insured schemes receive only the normal withdrawal benefit, i.e. a refund of contributions or its equivalent. Where ill-health pension benefits are provided by schemes for the public service and nationalized industries, they are based on accrued pension rights and are often subject to a minimum. In private schemes, however, minima are very uncommon and, particularly in insured schemes, most ill-health pensions are calculated to be actuarially equivalent to the accrued deferred pension, due allowance being made for the fact that they may be payable long before "normal pension age". They therefore tend to be relatively small in the early years of service.

Benefit on Death

34. Widows' pensions, whether death occurs in service or after retirement (see *Sections* 11 *and* 12), are provided for five in every six members of schemes for the public service and nationalized industries. In the majority of private non-insured schemes and in almost all insured schemes, however, either the benefit takes the form of a cash sum or else no specific benefit is given.

Section 18 shows, however, that at normal retirement age part of the pension may often be surrendered in order to provide a pension to the widow.

Benefit on Voluntary Early Retirement

35. The right to leave service voluntarily five or ten years before minimum retirement age and to draw reduced benefit immediately is granted to the majority of members of insured schemes—see *Section* 13 ; the benefit is nearly always the actuarial equivalent of the accrued pension and is thus scaled down fairly severely. The period within which this concession is allowed is almost always ten years. A similar arrangement is available to about one-half of the members of private non-insured schemes.

In schemes for the public service and nationalized industries the accrued pension is often payable as from pension age to persons who retire within ten years before that age.

Benefit on Deferred Retirement

36. Special provision for deferment of retirement, usually up to a maximum of five years, with increased benefits is made in all pension schemes for the staff of the public service and nationalized industries (*Section* 14). In such schemes benefits normally continue to accrue at the same rate as before retirement age. In private schemes a majority of members have a similar privilege, usually without any limitation as to period, but an appreciable proportion, especially in non-insured schemes, do not benefit in this manner ; where benefits increase, the rate of growth almost invariably reflects the full increase in actuarial value in insured schemes and frequently does so in non-insured schemes.

Benefit on Withdrawal (*where no transfer value payable*)

37. Most pension schemes contain separate provisions for three types of withdrawal benefit, i.e. according to whether the withdrawal is voluntary or is the result of dismissal and whether the dismissal is for some fault or on account of redundancy. The payment to the withdrawing employee of a sum equivalent to any contributions received from him is a feature of all schemes (see *Section* 15). The option of a deferred annuity in lieu of this cash benefit is frequently available.

Members leaving of their own free will are granted the same benefits as those dismissed for redundancy, except that fewer of them may receive the benefit of the employer's contributions. Even fewer of the members dismissed for fault may receive the benefit of the employer's contributions.

Transfer Arrangements

38. Arrangements for the payment of transfer values are not mentioned in insured schemes (*Section* 16) although it is believed that the transferring employee almost invariably has the right to take with him the policy representing his own contributions and frequently is entitled also to the contract secured by the employer's contributions on his behalf. In private non-insured schemes only about one-quarter of the members may benefit from transfer arrangements, and even this is almost invariably at the employer's discretion.

Within the public service and nationalized industries, arrangements for transfers are nearly universal, although in these schemes also the employer's permission usually has to be obtained.

In some instances transfer values are based only on accumulated personal contributions and are thus little more than an ordinary withdrawal benefit. The full actuarial reserve in the scheme may be handed over in about one-half of the possible cases—rather more in the public service and nationalized industries and rather less in non-insured schemes.

Grant of Back-Service Credits

39. The information given in *Section* 17 shows that some degree of back-service credit is granted in most pension schemes in public service or nationalized industries and for about one-half of the membership in private schemes. Where granted, a back-service credit has been in respect of one-half of past service for most eligible members of insured schemes but equal to the whole of past service for the great majority of eligible members of other schemes. An upper limit to the length of service allowed to count in full is fairly common, especially in the public service and nationalized industries.

Allocation of Pension

40. *Section* 18 shows that allocation of part of a retirement benefit in favour of a spouse (or dependant) is allowed to nearly 90 per cent of members of insured schemes, to nearly 75 per cent of members of schemes for the public service and nationalized industries and to 50 per cent of members of non-insured schemes. Provision that the option is not to be exercised until at or near retirement age occurs in a minority of private schemes but is more general in schemes for the public service and nationalized industries.

Conversion of Pension to Lump Sum

41. As *Section* 19 shows, surrender of part of a pension for a lump sum is rarely permitted in schemes for employees in the public service and nationalized industries, the reason being that the normal retirement benefit comprises both pension and lump sum (in fixed proportions). In private schemes conversion —of up to one-quarter of pension—is allowed to about one-half of the total membership. It is permissible rather more frequently in insured schemes than in non-insured schemes.

Actuarial Valuation

42. Insured schemes are included as part of the life assurance business of Insurance Companies, and are periodically valued accordingly, but the rules of such schemes do not contain any reference to the process. In the great majority of other schemes, where advance financial provision is made for accruing pension liabilities, valuations are specified in the rules (see *Section* 20). The maximum number of years that may elapse between valuations is usually five, though three years or some other shorter period is sometimes laid down. In the public service and nationalized industries it is rarely provided that rates of benefit may be amended on the result of a valuation ; reference to adjustment of employees' contributions is infrequent, any necessary alterations

being usually made to the employer's contribution. In non-insured schemes references are made to all three possible forms of amendment.

In schemes covering an appreciable proportion of employees (including schemes where no advance financial provision is made), there is no specific reference to amendments which might result from a valuation.

DISSOLUTION

43. *Section* 21 relates to the mention in the rules of three circumstances in which a scheme may be dissolved (see also paragraph 24 above). In private pension schemes, as might be expected, there is considerable overlapping among the three headings. Public service schemes do not include any reference to dissolution, but some of the schemes for the nationalized industries have a "perpetuity clause" providing for winding-up after the expiry of a limited period.

SUMMARY

44. The survey was undertaken in order to throw light on (i) the number of persons now covered for occupational pensions, the number of pensioners, the total sums paid as contributions and as pensions, and (ii) the salient features of the provisions of the various types of scheme (paragraphs 1 and 2).

45. For the first part of the survey a questionnaire was sent to a representative sample of employers and the information so obtained was suitably rated up so as to cover the whole field. For the second part an analysis was made of the rules lodged with the Inland Revenue relating to the schemes for which usable answers to the questionnaire had been received. In order to complete the picture, comparable information was added for schemes in the public service and the nationalized industries (see paragraphs 5-11).

46. It is estimated that in 1956 the number of workpeople covered for occupational pensions was just over 8 millions—4½ millions of them in private schemes—and that the number of pensioners was of the order of 1,100,000, of whom 300,000 were in private schemes. The total amount paid in the year as contributions to private schemes was some £246 millions, of which £72 millions was paid by employees; and the annual pension roll was about £50 millions. The corresponding figures for public service and nationalized industries schemes were approximately £221 millions as contributions (£56 millions by employees) and some £150 millions as pensions. The total number of persons covered at the present time is probably of the order of 8¾ millions (7 million men and 1¾ million women) which means that nearly one-half of employed males have some provision for pensions in addition to those for which they are insured under National Insurance (paragraphs 12-19).

47. The information obtained from the analysis of the rules is set out in detail in Appendix I, immediately following, where the results are expressed as percentages of total members. Attention may be drawn to the following points from the explanatory notes on the various sections of the tables which are given in paragraphs 24-43.

Few schemes are registered (paragraph 24). Most of them either apply to "staff" only or cover all employees (paragraph 25). The methods by which employees' contributions are assessed are outlined but it is shown that a material proportion of schemes are non-contributory (paragraph 27). The methods by which financial support is provided by the employer are considered in paragraphs 28 and 29. A comparison of the ages at which retirements have taken place in recent years with the "normal" ages envisaged in private schemes is given in paragraph 31. Relatively few members are entitled to a lump sum without pension on retirement (paragraph 32). Ill-health pensions are by no means universal (paragraph 33). Death benefits usually consist of lump sums (paragraph 34). On withdrawal, an employee usually receives a sum equivalent to the total contributions he has paid (paragraph 37) but, if joining another firm with a pension scheme, he may qualify for a transfer value (paragraph 38). Among the other subjects on which information is given are the grant of back-service credits (paragraph 39), actuarial valuation (paragraph 42), dissolution (paragraph 43) and voluntary variation by the employee of benefits and conditions (paragraphs 35, 36, 40 and 41).

GEORGE H. MADDEX.

GOVERNMENT ACTUARY'S DEPARTMENT,
LONDON, S.W.1.

24th March, 1958.

APPENDIX I

SUMMARY OF INFORMATION DERIVED FROM A SURVEY OF THE RULES OF OCCUPATIONAL PENSION SCHEMES

The figures given below represent—except for a few entries in years and amounts—the *percentages* of the total *membership* of each type of scheme falling into the various categories tabulated in the first column. The estimated memberships are $2\frac{1}{4}$ millions in non-insured schemes, $2\frac{3}{4}$ millions in insured schemes, and $3\frac{3}{4}$ millions in the public service and nationalized industries, i.e. $8\frac{3}{4}$ millions in total.

[*Note.* In a number of cases the entries are marked " where stated " to indicate that, although full answers were not recorded in all returns, it was thought proper to tabulate the information supplied.]

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
1. *Registration*				
(a) Percentage in schemes registered :				
(i) under the Friendly Societies' Acts, etc.	3	—	—	1
(ii) under the Superannuation and Other Trust Funds (Validation) Act, 1927 ...	22	—	—	6
(b) Percentage in schemes not registered	75	100	100	93
	100	*100*	*100*	*100*
2. *Employees covered*				
(a) Staff only	27	37	9	22
(b) Works only	14	7	31	19
(c) All Employees ...	42	32	60	47
(d) Special categories only	17	24	—	12
	100	*100*	*100*	*100*
3. *Conditions for New Entrants*				
(a) Membership voluntary	43	38	6	26
(b) Membership compulsory	34	46	94	63
(c) Not stated whether voluntary or compulsory ; closed to new entrants ; complex provisions; etc.	23	16	—	11
	100	*100*	*100*	*100*
(d) Minimum age (*where stated*) :				
(i) most common in schemes	21 years	21 years	20 years	
(ii) lowest	15 ,,	15 ,,	15 ,,	(*contd.*)

	Private Pension Schemes: Non-Insured	Private Pension Schemes: Insured	Public Service and Nationalized Industries' Pension Schemes	All Schemes
3. *Conditions for New Entrants* (*contd.*)				
(e) Maximum age (*where stated*):				
(i) most common in schemes	50 years	55 years	55 years	
(ii) range	30–70 „	40–69 „	44–64 „	
(f) Qualifying service (*where stated*):				
(i) less than 1 year ...	41	28	—	
(ii) 1 year	22	38	—	
(iii) more than 1 year ...	37	34	—	
	100	*100*	—*	
4. *Employees' Contributions*				
(a) Not required to be paid	44	30	21	30
(b) Flat amount	9	13	26	17
(c) Uniform percentage of salary or wages at all ages	23	9	50	30
(d) Percentage of salary or wages varying according to entry age	10	—	3	4
(e) Amount depending on range in which salary or wages lies	2	43	—	14
(f) Not stated	12	5	—	5
	100	*100*	*100*	*100*
(g) Percentage of schemes in which there is:				
(i) modification of contributions for National Insurance ...	8	—	54	25
(ii) separate contribution for widows' benefits	4	—	26	12
(h) Amount of contribution in (c) (*where stated*):				
(i) under 5 per cent of salary or wages ...	52	17	6	
(ii) 5 per cent of salary or wages	40	78	14	
(iii) over 5 per cent of salary or wages ...	8	5	80	
	100	*100*	*100*	
(iv) range of percentages of salary or wages...	1–11	2–10	4–6½	

*Rarely specified.

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
5. *Employers' Contributions*				
(a) Uniform percentage of salary or wages ...	17	5	39	23
(b) Stated amounts ...	9	2	17	10
(c) Balance of cost not met by employees	64	86	44	62
(d) Cost met in other ways	10	7	—	5
	100	*100*	*100*	*100*
(e) Additional contributions for life assurance ...	—	38	—	12
(f) Separate contributions for widows' benefits ...	6	1	5	4
(g) Amount of percentage in (a) in respect of men (*where stated*):				
(i) under 5 per cent of salary or wages ...	38	30	—	
(ii) 5 per cent of salary or wages	35	44	15	
(iii) over 5 per cent of salary or wages ...	27	26	85	
	100	*100*	*100*	
(h) Range of percentages of salary or wages ...	1¼–30	2½–12	5–10	
6. *Employers' Guarantees*				
(a) Rate of interest ...	24	—	21	15
(b) Solvency	28	2	100	51
7. *Type of Policy of Insured Schemes*				
(a) Individual Endowment Assurance	—	24	—	7
(b) Group Endowment Assurance	—	8	—	2
(c) Double Endowment Assurance	—	1	—	—
(d) Individual Deferred Annuity	—	15*†	—	5
(e) Group Deferred Annuity	—	53	—	16
(f) Term Life Assurance ...	—	44	—	13
(g) Pure Endowment ...	—	3*	—	1
(h) Other policies	—	5	—	2

*Often specified for " bad lives ".

†For 86 per cent of members the policy includes provision for return of the employee's contributions in the event of death.

	Private Pension Schemes: Non-Insured		Private Pension Schemes: Insured		Public Service and Nationalized Industries' Pension Schemes		All Schemes
8. *Normal Retirement Age* (*where stated*):	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	
59 and under	2	29	—	2	3	5	
60	15	50	1	62	60	89	
61–64	4	1	—	—	—	—	
65	79	20	99	36	37	6	
66 and over	—	—	—	—	—	—	
	100	*100*	*100*	*100*	*100*	*100*	
9. *Benefit at Normal Retirement Age*							
(a) Pension (with or without lump sum)... ...	87		92		100*		94
(b) Lump sum only ...	7		8		—		4
(c) None (benefits payable on death only) ...	6		—		—		2
	100		*100*		*100*		*100*
(d) Basis of pension:							
(i) fraction of salary or wages for each year of service	41		6		74		44
(ii) fixed amount ...	10		7		—		5
(iii) fixed proportion of final salary or wages	8		1		—		2
(iv) amount depending on salaries (or wages) earned throughout service	2		44		—		14
(v) as secured by contributions	8		9		—		5
(vi) other basis	18		25		26		24
(vii) no pension	13		8		—		6
	100		*100*		*100*		*100*
(e) Fraction in (d)(i):							
(i) 60ths	28		30		12		
(ii) 80ths	33		16		86		
(iii) 100ths	2		15		—		
(iv) other	37		39		2		
	100		*100*		*100*		
(f) Percentage of members who are in schemes where a minimum annual pension is provided ...	5		2		23		
(g) Most popular averaging period for salary or wages in (d)(i) above ...	5 years		3 years		3 years		

*83 per cent of members are in schemes providing lump sum as well as pension.

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
10. *Benefit on Ill-Health Retirement*				
(a) Pension (with or without lump sum)	70	30	100	71
(b) Lump sum only ...	5	—	—	1
(c) No specific benefit stated	25	70	—	28
	100	*100*	*100*	*100*
(d) Basis of benefit in (a) and (b) (*where stated*):				
(i) as actuarially reduced	30	84	—	
(ii) as secured by contributions	10	16	—	
(iii) other	60	—	100	
	100	*100*	*100*	
(e) Percentage of members who are in schemes where a minimum pension is provided ...	1	—	74	32
11. *Benefit on Death in Service*				
(a) Annuity to widow ...	23	—	83	42
(b) Lump sum to personal representatives, etc. only	77	100	17	58
	100	*100*	*100*	*100*
12. *Benefit on Death after Retirement*				
(a) Annuity to widow ...	12	2	83	39
(b) Unexpired instalments of guaranteed annuity, etc.	39	75	17	41
(c) Other benefits	16	2	—	5
(d) No benefit stated ...	33	21	—	15
	100	*100*	*100*	*100*
13. *Benefit on Early Retirement not due to Ill-Health*				
(a) Pension (with or without lump sum)	51	84	46	59
(b) Lump sum only ...	3	—	—	1
(c) No benefit stated ...	46	16	54	40
	100	*100*	*100*	*100*

(*contd.*)

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
13. *Benefit on Early Retirement not due to Ill-Health (contd.)*				
(d) Basis of benefit in (a) or (b) (*where stated*):				
(i) as actuarially reduced	48	89	4	
(ii) fraction of salary for each year of service	28	1	85	
(iii) other	24	10	11	
	100	*100*	*100*	
(e) Difference between minimum early retirement age and normal retirement age (*where stated*):				
(i) 5 years	58	16	5	
(ii) 10 years	42	84	95	
	100	*100*	*100*	
14. *Benefit on Deferred Retirement*				
(a) Pension actuarially increased	35	77	9	37
(b) Increase in number of "nths"...	11	2	73	35
(c) Other basis	15	1	18	12
(d) No benefit stated ...	39	20	—	16
	100	*100*	*100*	*100*
(e) Percentage of members who are in schemes where a maximum period of deferment is laid down	4	9	73	35
15. *Benefit on Withdrawal (without transfer value)*				
(a) *Dismissal — no fault stated:*				
(i) return of employees' contributions ...	44*	65*	79*	65*
(ii) option of an equivalent deferred annuity	6	62	24†	31
(iii) possible benefit from employers' contributions	12	93	47	52

(*contd.*)

*As employees' contributions are always returnable, these are the same as the totals of (b), (c), (d) and (e) in item 4 above.

†Relates mainly to deferred pensions for Civil Servants withdrawing at ages 50 and over.

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
15. *Benefit on withdrawal (without transfer value) (contd.)*				
(b) *Leaving of own free will*				
(i) return of employees' contributions ...	44	65	79	65
(ii) option of an equivalent deferred annuity	6	57	24†	29
(iii) possible benefit from employers' contributions	10	75	30	38
(c) *Dismissal for fault*				
(i) return of employees' contributions ...	44	65	79	65
(ii) option of an equivalent deferred annuity	4	47	24†	26
(iii) possible benefit from employers' contributions	8	53	30	31
16. *Benefit on Withdrawal (with transfer value):*				
(a) In all cases	4	—	21	10
(b) At employer's discretion only	20	—	77	38
(c) Not allowed	76	100	2	52
	100	*100*	*100*	*100*
(d) Basis of transfer value (*where stated*):				
(i) actuarial reserve ...	44	—	57	
(ii) personal contributions and interest thereon	21	—	6	
(iii) other basis	35	—	37	
	100	—	*100*	
17. *Back-Service Credits Granted*				
(a) All years of service ranking	42	39	57	48
(b) Allowance subject to a maximum	—	14	30	17
(c) No credit stated ...	58	47	13	35
	100	*100*	*100*	*100*

(*contd.*)

†Relates mainly to deferred pensions for Civil Servants withdrawing at ages 50 and over.

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
17. *Back-Service Credits Granted.* (*contd.*)				
(d) Rate of reckoning (*where stated*) :				
(i) whole	60	6	85	
(ii) half	21	68	5	
(iii) other basis	19	26	10	
	100	*100*	*100*	
(c) Cost borne (*where stated*) :				
(i) all by employer ...	98	100	66	
(ii) all by employee ...	—	—	6	
(iii) by both parties ...	2	—	28	
	100	*100*	*100*	
18. *Allocation of Part of Pension to Widow*				
(a) Allocation permitted ...	50	88	73	71
(b) When option to be exercised :				
(i) at or near normal retiring age... ...	25	45	61	47
(ii) at some other time...	75	55	39	53
	100	*100*	*100*	*100*
19. *Conversion of Pension to Lump Sum*				
Proportion of cases in which partial conversion is permitted	43	53	3	29
20. *Actuarial Valuation*				
(a) Provision made for valuation	76	—	76	53
(b) Maximum inter-valuation period (*where stated*) :				
(i) 5 years	86		86	
(ii) 3 years, etc. ...	14		14	
	100		*100*	
(c) What may be altered as a result of valuation :				
(i) benefits	53		1	
(ii) employee's contribution	45		4	
(iii) employer's contribution	58		44	
(iv) not specified ...	20		32	

	Private Pension Schemes		Public Service and Nationalized Industries' Pension Schemes	All Schemes
	Non-Insured	Insured		
21. *Dissolution of Scheme*				
(a) On employer's bankruptcy	60	54	—	32
(b) At employer's discretion	66	87	5	46
(c) Under "perpetuity clause" (see paragraph 24)	64	38	28	41

APPENDIX II

Copies of the Letter and Questionnaire Form which were sent to Employers
(see paragraph 6)

Government Actuary's Department,
Caxton House East,
Tothill Street,
London, S.W.1.

1st February, 1957.

Dear Sir,

Occupational Pension Schemes

The need for further information on occupational pension schemes is widely recognized. Although the number of pension schemes in operation in this country is known to be increasing rapidly, reliable statistics about them are far from complete. This hampers the study of important present-day problems, such as the social and economic implications of the fact that the population is steadily growing older. The inadequacy of information about pension schemes was noted by the Phillips Committee in their Report on the Economic and Financial Problems of the Provision for Old Age and they recommended that suitable arrangements should be made to remedy this deficiency. The Government has therefore decided to collect the necessary particulars and the work has been entrusted to me.

In order to reduce to the minimum the demands on individual employers in the inquiry now being undertaken, arrangements have been made for the assembly of such information as is already available from official sources. There are a number of points, however, on which it is essential to ask for the co-operation of employers who maintain pension schemes, and this part of the inquiry is being dealt with by reference to a sample of employers who have schemes.

I very much hope that you will be willing to assist—as one of the selected employers—by completing one of the enclosed forms, in so far as it is applicable, for each scheme operated by your firm. The completed forms should be returned in the enclosed envelope, if possible by the end of this month.

I need hardly say that the information you supply will be treated as strictly confidential to this Department. The inquiry is solely for the purpose of enabling estimates to be made of the position in the country as a whole ; nothing which might lead to the identification of particulars relating to individual firms will be disclosed either in official publications or otherwise.

Yours faithfully,

[*Signed*] G. H. Maddex

CONFIDENTIAL

Occupational Pension Schemes

I. (a) Name of employer...

Address ....

....

(b) Name of Scheme...*

II. Please state :

(a) the total numbers of persons employed ;

(b) the number of these employees covered by the above pension scheme ;

(c) the number of former employees in receipt of pension as at 31st December, 1956, or on the nearest convenient date, distinguishing between men and women and between salaried staff and wage-earners.

Date to which the numbers relate...

	(a) Total employed		(b) Total covered by pension scheme		(c) Pensioners	
	Men	Women	Men	Women	Men	Women
Salaried staff ...						
Wage-earners ...						
Total ...						

III. Please state :

(i) the total amounts paid *by members* of the pension scheme by way of contributions during the year ended 31st December, 1956 (or other convenient date) ;

(ii) the amounts of pension paid during the same year ;

distinguishing in each case between men and women and between salaried staff and wage-earners :

Year.......................................to....................................... [nearest £]

	Aggregate amount paid by employees as contributions in the twelve-month period		Aggregate amount paid out as pensions to former employees in the twelve-month period	
	Men	Women	Men	Women
	£	£	£	£
Salaried staff ...				
Wage-earners ...				
Total ...				

*If you have more than one scheme, please supply figures throughout for each scheme, on separate forms, and attach them to the form for the principal scheme which should state the total numbers employed. Schemes relating to no more than half-a-dozen persons may be omitted. Additional copies of this form may be had on application.

IV. Please state the numbers of male and female salaried staff and wage-earners who have retired on pension under the scheme (other than premature retirements because of ill-health) at various ages during the calendar year ended 31st December, 1956 (or other convenient date).

Year..to..

Age at retirement	Numbers retiring			
	Men		Women	
	Salaried	Wage-earners	Salaried	Wage-earners
Under 55 ...				
55 ...				
56 ...				
57 ...				
58 ...				
59 ...				
60 ...				
61 ...				
62 ...				
63 ...				
64 ...				
65 ...				
66 ...				
67 ...				
68 ...				
69 ...				
70 ...				
... ...				
... ...				

V. It will be helpful if you can supply brief answers to the questions :

(i) What is your general policy regarding retirement of employees on reaching minimum pension age ?

(ii) If you encourage them to defer retirement, to what extent is this policy successful ?

VI. Are the benefits of the scheme provided by contracts with an assurance company ? YES/NO.

VII. Remarks.

Date.. Signed..

Position held..

NOTE : This information is for the use of the Government Actuary's Department, Caxton House East, Tothill Street, London, S.W.1. Any queries on matters of difficulty should be addressed to the Government Actuary.

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